

## ETIC to Provide Support to Makikai Medical Association

April 12<sup>th</sup>, 2012

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (“ETIC”), has decided to provide support to Makikai Medical Association under Article 25, Clause 4 of the Enterprise Turnaround Initiative Corporation of Japan Act (Act 63, of 2009, hereafter “the ETIC Act”),

1. Name of company concerned  
Makikai Medical Association (hereafter “Makikai”)
2. Name of financial institution jointly applying for rehabilitation support with Makikai  
The Gunma Bank, Ltd. (hereafter “Gunma Bank”)
3. Outline of business revitalization plan  
Please see appendix.
4. Comments from State Ministers in charge of ETIC  
Prime Minister, Minister of Internal Affairs, Minister of Finance, Minister of Economy, Trade and Industry: No opinion expressed

Minister of Health, Labour and Welfare: *“I have no objection to the decision to support Makikai. However, I ask that after reaching the decision to support, ETIC should encourage Makikai to discuss the situation with employees as soon as possible. I also ask that in advising on and guiding the implementation of the corporate revitalization plan, ETIC should aim to ensure that Makikai complies with related laws and regulations, and that the company also provides adequate opportunities for substantive discussions with the workforce with due consideration of employment stability and other such factors.”*

5. Comment from State Minister supervising business activities  
Minister of Health, Labour and Welfare: *“Makikai plays an important role as a provider of medical services for cancer, diabetes and emergency care in the Takasaki-Annaka medical region, which is an area that does not contain excess sickbeds. I therefore*

*have no objection to the decision to provide support.*

*I ask that in implementing the revitalization plan, due consideration is given to the opinion of the Governor of Gunma Prefecture, who is working to ensure that a proper structure exists for the provision of medical services, and that all necessary medical functions continue to be delivered through a system that has an appropriate scale in terms of available hospital beds and other such factors.”*

6. Debt purchase application period

From Thursday, April 12<sup>th</sup>, 2012 for receipt by ETIC no later than Thursday, June 21<sup>st</sup>, 2012.

7. Request for temporary suspension

Under Article 27, Clause 1 of the ETIC Act, financial institutions have been requested not to recover loans or exercise any other rights they may have as creditors, other than those permitted under the business revitalization plan, before the end of the debt purchase period as per item 6 above.

8. Treatment of trade creditors

The decision by ETIC to provide support involves requesting the waiver of debt only from financial institutions providing loans to Makikai. No request for support will be made with regard to trade debt. Therefore there will be no impact on trade creditors.

9. Basis for decision to support

ETIC's basis for deciding to provide support is as follows.

(1) Rationale

Makikai is a medical association that operates both the Maki Hospital and the Takasaki PET General Imaging Center (Clinic) (hereafter the "PET Center") in Takasaki City, Gunma Prefecture.

In addition to its involvement in emergency medical treatment as a secondary medical emergency facility, the Maki Hospital provides acute care services for gastrointestinal, circulatory diseases, orthopedic disorders and other problems common with elderly people. In provincial regions, where the local population is aging, these kinds of medical services are essential. In the field of gastrointestinal endoscopy, the Maki Hospital is one of the leaders in Gunma Prefecture in medical testing and surgery. The Maki Hospital is one of only two facilities within the prefecture that are authorized to carry out colorectal ESD (Endoscopic Submucosal Dissection), an

advanced treatment that places very little burden on the patient.

The PET Center is actively promoting preventative medicine in the region through outpatient care and advanced health screenings in the city. It has a proven reputation in the field of medical examinations and each year the Center examines over 10,000 people. As a clinic for the support of home-care services, the facility provides medical services for patients who wish to live at home, and is making a great contribution to health-care delivery in the region in the areas of preventative care, emergency care, acute-phase care and home care.

If Makikai were no longer able to provide these medical services, it would have a considerable impact on in-patients and other facility users, and would have an immeasurable impact on the local community.

ETIC's revitalization of Makikai will contribute to the stable supply of medical services in the local community, and we therefore deem that this project is of sufficient significance.

Through the support given in this project, ETIC will aim to improve the financial footing of Makikai. By providing a revitalization model for improving the standard of medical care and expanding the range of medical functions, ETIC is aiming to contribute to the continuation and development of systems that will provide medical services in the region.

## (2) The Role of ETIC

In this support program, ETIC will play a specific role in (1) coordination of the financial and other institutions concerned (including the purchase of debt), and (2) the sending of administrative personnel to Makikai.

With regard to (1), ETIC will ask the financial and other institutions concerned to provide financial assistance, including debt forgiveness. If necessary, ETIC will purchase debt or carry out refinancing to reduce the level of excessive interest-bearing debt, with the objective of improving the financial state of Makikai.

With regard to (2), ETIC will send administrative personnel to Makikai, to enhance its management structure and form a stable management base within Makikai.

Ends

## Appendix: Outline of the Business Revitalization Plan

### Section 1. Overview of the companies receiving support

#### 1.1 Names of companies

Makikai Medical Association

#### 1.2 Main business

Hospital and clinic operations

#### 1.3 Main medical and nursing care facilities

(1) Maki Hospital (140 general beds)

(2) Takasaki PET General Imaging Center (clinic: 10 beds)

#### 1.4 Location of head office

71-1 Tsukunawamachi, Takasaki-shi, Gunma Prefecture

#### 1.5 Number of employees

211 (171 full-time, and 40 non full-time)

#### 1.6 Labor union

None

#### 1.7 Financial institutions with whom transacting

The Gunma Bank, Ltd., others

#### 1.8 Financial overview (as of March 31, 2011)

Interest-bearing debt: ¥2,588 million

Income from medical operations: ¥2,183 million

Profit from medical operations: ¥14 million

### Section 2. Background and circumstances leading to request for ETIC support

Makikai was faced with excessive debt due to borrowing they undertook to pay for the building and equipping of the PET Center that opened in 2006. Various administrative issues remain, including the aging of the Maki Hospital building (which is over 40 years old), and concerns over the loss of expert medical personnel.

With the goal of improving their financial footing via ETIC's procedures, and promoting managerial improvement underlying better medical care, Makikai together with Gunma Bank applied to ETIC for revitalization support.

### **Section 3. Outline of the Revitalization Plan**

#### **1. Basic policy**

Financial assistance will be carried out in the first year of the plan to reduce levels of excessive debt.

Makikai will then work to better cater to elderly in the region by strengthening its emergency patient capacity and offering a full range of acute care services in the gastrointestinal, circulatory and orthopedic fields. By expanding its system of providing consistent medical services, from the later stages of rehabilitation to treatment at patients' own homes, Makikai will work to enhance the specialist medical fields that are needed in this region where the population is aging.

The plan will aim to continue improvements in the field of gastrointestinal endoscopy, where Makikai already has strengths. Efforts will be made to make the usefulness of this medical technique better known.

#### **2. Main initiatives**

##### **(1) Improve the ability to accept elderly emergency patients.**

Improve the ability to provide "around-the-clock" 24-hour primary and secondary emergency medical care for local elderly people who have high levels of needs.

##### **(2) Improve the range of acute care services and rehabilitation functions for the elderly.**

Increase the ability to respond to existing medical disorders (gastrointestinal, circulatory, etc.), employ a full-time orthopedic surgeon, and plan for a full range of acute-phase functions.

Establish a new sub-acute patient ward, and increase the number of staff providing rehabilitation services to help patients recover at home.

##### **(3) Strengthen managerial functions**

Properly administer the above-mentioned measures, and aim to reduce external costs such as purchasing costs and sub-contracting expenses.

#### **3. Business reorganization (structure)**

In this revitalization plan, there are no plans to restructure Makikai's operations.

#### **4. Requests to creditors for financial assistance**

Makikai will ask the financial and other institutions concerned to forgive the repayment

of ¥1,983 million in principal out of the total debt of ¥3,668 million owed and to forgive penalties for delayed repayments.

5. Funding plans

The funds for the payments required in this business revitalization plan will come from operating cash flow.

#### **Section 4. Conformance with standards for support**

This business revitalization plan meets ETIC's standards for support.

1. Possession of effective management resources

Makikai offers emergency medical treatment and advanced medical procedures, and contributes to the supply of medical services in the provinces. Sufficient numbers of doctors, nurses and other staff needed to run both the Maki Hospital and the Takasaki PET General Imaging Center are being maintained.

2. Standards for productivity improvement

Successful implementation of this business revitalization plan is expected to enable Makikai to meet the required standards with respect to productivity.

3. Standards for financial soundness

Successful implementation of this business revitalization plan is expected to enable Makikai to meet the required standards with respect to financial soundness.

4. Comparison with liquidation value

The value of Makikai available through implementation of the business revitalization plan is estimated to be greater than the value available through debt recovery on bankruptcy or civil rehabilitation proceedings.

5. Potential to refinance within three years

Implementation of the business revitalization plan is expected to significantly improve the financial condition of Makikai, enabling it to reach an appropriate level of financial stability for the repayment of debt principal and interest, thereby making refinancing highly possible.

6. Connection with structural oversupply

Implementation of the business revitalization plan will not increase the supply capacity of Makikai. Accordingly, the plan has been judged as 'not hindering the resolution of structural oversupply' with reference to Article 19 of the Act on Special Measures for Industrial Revitalization and Industrial Innovation

7. Status of consultations with workforce

As the company does not have an employees union it is planned that meetings with employees will be scheduled promptly after announcement of the decision to provide support, and opportunities provided to discuss employment conditions and other aspects of the business revitalization plan.

**Section 5. Responsibility of management and governance**

1. Responsibility of management

The current directors who were board members when the PET center was established and interest-bearing debt increased, will resign from their positions.

Directors with management responsibility will renounce all credit claims in Makikai, including retirement benefits and loans.

2. Responsibility of investors

All of the current investors will forego their rights to request repayment of their investment. Following this Makikai will become a medical corporation without equity contribution in which investors do not have rights for repayment of investment.

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